

Message Text

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ACTION AID-59

INFO OCT-01 NEA-14 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 EB-11 CIEP-03 TRSE-00 STR-08 OMB-01

CEA-02 IGA-02 COME-00 FRB-03 XMB-07 OPIC-12 LAB-06

SIL-01 SAM-01 IO-14 FEAE-00 HUD-02 SCI-06 AGR-20

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TO SECSTATE WASHDC 7970

C O N F I D E N T I A L CAIRO 5529

E.O. 11652: GDS

TAGS: EAID, OVIP (NOOTER, ROBERT A.) EG

SUBJECT: NOOTER/TEMPLETON VISIT

1. AA/SA NOOTER AND TEMPLETON HAD EXTREMELY USEFUL VISIT IN ATTEMPT TO IDENTIFY PRIORITIES COMPATIBLE WITH CONGRESSIONAL PRESENTATION FOR FY 1975 REQUEST, AND IN SECURING BACKGROUND FOR FY 1976 BUDGET. THEY MET WITH THE EMBASSY AND WITH VARIOUS EGYPTIAN OFFICIALS. THE HIGHLIGHTS OF THESE MEETINGS FOLLOWS. A SEPARATE MESSAGE ON FY 1976 WILL COME FORWARD AT A LATER DATE.

2. NOOTER/TEMPLETON AND THE EMBASSY AGREED ON THE FOLLOWING GENERAL CRITERIA FOR THE USE OF FY 1975 FUNDS:

A. US ASSISTANCE SHOULD BE PRIMARILY IN THE FORM OF FOREIGN EXCHANGE COSTS SINCE LOCAL CURRENCY REQUIREMENTS CAN BE MET EITHER WITH THE EGYPTIAN BUDGET OR FROM GRANTS OF US-OWNED EGYPTIAN CURRENCY.

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B. WHILE THE FUNDS CAN BE USED FOR PURPOSES DIFFERENT

FROM THE CONGRESSIONAL PRESENTATION IF THE CONGRESS IS NOTIFIED IN ADVANCE AS REQUIRED BY LAW, IT IS PREFERABLE TO KEEP THE GENERAL PROPORTION OF SUEZ AREA - TO - NON-SUEZ AREA USAGE IN THE SAME RATIO AS IN THE CP (I.E. \$170 M.- TO - \$80 M). PARTICULARLY, WE SHOULD NOT INCREASE THE NON-SUEZ AREA USAGES TO MORE THAN \$80 MILLION FOR FY 1975 IN VIEW OF THE WAY THE PRESENTATION HAS BEEN MADE TO CONGRESS.

C. THE \$150 M. FOR SUEZ AREA PROJECTS SHOULD BE USED AS MUCH AS POSSIBLE FOR THE REPAIR OR REPLACEMENT OF THINGS DAMAGED IN THE WAR RATHER THAN FOR NEW PROJECTS.

D. THE \$150 MILLION SHOULD BE USED FOR A BROAD SPECTRUM OF PURPOSES, PREFERABLY WITH SOME US ATTRIBUTION OR VISIBILITY, AND NO SINGLE ELEMENT SHOULD UTILIZE MORE THAN ABOUT ONE-THIRD OF THE TOTAL AMOUNT.

E. THE \$80 MILLION COMMODITY IMPORT PROGRAM SHOULD BE ON A LOAN BASIS. THE \$20 MILLION SUEZ MINE CLEARING AND SHIP LIFTING SHOULD BE ON A GRANT BASIS. THE \$150 MILLION FOR SUEZ AREA RECONSTRUCTION WOULD GENERALLY BE ON A GRANT BASIS EXCEPT FOR WHATEVER PORTION OF IT IS USED FOR SUEZ CANAL EQUIPMENT, WHICH WOULD BE LOAN FINANCED IN VIEW OF THE MONEY-MAKING POTENTIAL OF THE CANAL AND THE FACT THAT OTHER CANAL AID IS IN THE FORM OF LOANS (IBRD AND KUWAIT FUND).

F. IT IS NOT CERTAIN, OF COURSE, THAT CONGRESS WILL APPROPRIATE THE FULL \$250 MILLION. ALSO, IF FUNDS ARE NEEDED FOR TECHNICAL ASSISTANCE ACTIVITIES OR FEASIBILITY STUDIES, THEY MUST COME FROM A REDUCTION IN ONE OF THE THREE CATEGORIES IN THE CP. (POPULATION MONEY WOULD, HOWEVER, BE ADDITIONAL SINCE IT COMES FROM A SEPARATE APPROPRIATION).

G. THE MOST APPROPRIATE FORM OF TECHNICAL ASSISTANCE
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WOULD BE SHORT-TERM TECHNICAL EXCHANGES RATHER THAN LONG TERM ADVISERS. THESE EXCHANGES COULD INCLUDE HIGH-LEVEL US SPECIALISTS VISITING EGYPT ON PARTICULAR PROBLEMS, OR EGYPTIANS ON SHORT TERM TRAINING GRANTS OR OBSERVATION TOURS IN THE US.

3. BASED ON DISCUSSIONS WITH VARIOUS MINISTRIES, POSSIBLE USES FOR THE \$150 MILLION SUEZ AREA RECONSTRUCTION COULD,

IN LINE WITH THESE GENERAL PRINCIPALS, INCLUDE THE FOLLOWING:

- A. SUEZ CANAL EQUIPMENT - \$25-40 MILLION.
- B. ELECTRIC POWER DISTRIBUTION AND TRANSMISSION LINES - \$30 MILLION.
- C. CONSTRUCTION EQUIPMENT FOR CLEARING DEBRIS, BUILDING ROADS, ETC.
- \$20 MILLION.
- D. MANUFACTURING FACILITY FOR PRE-FABRICATED HOUSING - \$5 MILLION.
- E. WATER TREATMENT PLANTS AND DISTRIBUTION - \$10-12 MILLION.
- F. PETROLEUM REFINERY PARTS AND EQUIPMENT - AMOUNT TO BE DETERMINED

IN OTHER AREAS SUCH AS TELECOMMUNICATIONS, HOSPITAL EQUIPMENT, LAND RECLAMATION, ELECTRIC POWER, AND PORT HANDLING FACILITIES, FURTHER STUDIES NEED TO BE MADE; FURTHERMORE, MOST OF THESE AREAS WILL INVOLVE NEW FACILITIES RATHER THAN RECONSTRUCTION PER SE. THE EGYPTIANS PLACE HIGH PRIORITY ON THE CONSTRUCTION OF TUNNELS UNDER THE SUEZ CANAL; HOWEVER, NOOTER TOLD MINISTER OF RECONSTRUCTION OSMAN THAT FOR POLITICAL REASONS WE PREFER NOT TO FINANCE THESE ITEMS (OSMAN QUICKLY GRASPED THE POINT AND SAID THERE WAS NO PROBLEM SINCE OUR FUNDS COULD BE USED FOR OTHER THINGS.)

4. IN A CONVERSATION WITH FOREIGN TRADE MINISTER FATHI AHMED EL MATBOULI, THE MINISTER ASKED IF THE US COULD SUPPLY SHORT STAPLE COTTON UNDER THE PL 480 PROGRAM. NOOTER SAID THAT HE DOUBTED IT SINCE THE US WAS SUPPLYING VERY LITTLE PL 480 COTTON, AND FURTHERMORE THIS WOULD BE DIFFICULT TO UNDERSTAND IN THE US SINCE WE THINK OF EGYPT AS A MAJOR COTTON EXPORTER. HE SAID IT WOULD BE PREFERABLE TO USE WHATEVER PL 480 BUDGET WAS AVAILABLE FOR WHEAT OR OTHER FOODSTUFFS. MATBOULI APPEARED TO UNDERSTAND AND ACCEPT THE POINT.

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5. AS POINTED OUT BY THE EMBASSY IN OTHER MESSAGES, DEPUTY PRIMER HEGAZI WILL ULTIMATELY BE THE PRINCIPAL PERSON TO MAKE THE CHOICE OF PRIORITY USES ON THE EGYPTIAN SIDE. NO ATTEMPT WAS MADE TO PRESENT THE ABOVE LIST TO HEGAZI DURING THIS VISIT, BUT THE EMBASSY PLANS TO DO SO AT AN APPROPRIATE TIME.

6. THE QUESTION OF AID DONOR COORDINATION WAS DISCUSSED, INCLUDING THE POSSIBILITY OF A CONSULTATIVE GROUP. HOWEVER, IT IS CLEAR THAT THE EGYPTIANS VIEW AID COORDINATION AS A PROBLEM WHICH THEY CAN HANDLE, AND PREFER TO DEAL BILATERALLY WITH EACH DONOR. THIS MAY BE AN APPROPRIATE SUBJECT TO PURSUE FURTHER DURING THE FOREIGN MINISTER'S VISIT TO WASHINGTON IN AUGUST.

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